ECONOMIC DEVELOPMENT AWARENESS

DEVELOPED BY THE
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CONTENTS

VISION KNOWLEDGE DEVELOPMENT

Community individuals and leaders must understand the economic base(s) of their community. When they have a clear vision of the potential for positive growth, they must obtain the knowledge required to move the vision toward reality.

This knowledge is essentially, HOW TO DO IT. The community will have to learn, to organize, to accept responsibilities and create an infrastructure conducive to economic development generally and specifically to the creation of new businesses. This having been done will allow the development to occur.

This Economic Development Awareness Handbook provides a framework for accomplishing the knowledge objective.

SECTION ONE

CURRICULUM

PHASE ONE COMMUNITY ORIENTATION AND ORGANIZATION

Goal

The goal of the Economic Development Awareness Program is to raise the level of awareness of and to create an excitement toward the economic development potential of the community.

Objectives

In support of the goal, the principal objectives are:

- to develop in the community a knowledge and understanding of relevant terminology;
- to organize the community into three groups; a support group, a political decision making group and an entrepreneurial interest group;
- to set basic goal(s) for the succeeding twelve month period;
- to outline the role of the Metis Economic Development Foundation;
- to ouline the role of the Saskatchewan Native Economic Development Corporation; and
- to organize the New Business Development Organization.

Activities

Activities include both lectures and workshops. Please refer to Section Two, "Suggested Delivery Methods" for additional details.

Content

1. Introduction to Economic Development
2. Identifying Economic Development Goals-(Workshop Number 4)
3. The Five M's of Business
4. Conducting a Business Meeting (p. 59)
5. Basic Economic Development Theory and Practice (pp. 17-24)
6. Goal setting
7. MEDFO and SNEDCO Information Package
8. Setting up the New Business Development Organization (pp. 25-27)

PHASE TWO ECONOMIC DEVELOPMENT CONCEPTS

Goal

The goal of Phase Two is to create, within the community, a core of individuals who understand economic development concepts.

Objectives

In support of the goal, the principal objectives are:

- o to understand the basic concepts underlying economic development;
- o to establish a core of community individuals dedicated to economic development; and
- o to understand the potential role of MEDFO and SNEDCO.

Activities

Lecture presentations and handout. Please refer to Section Two for additional details.

Content

1. Community Development

   - physical development
   - economic viability
   - social vitality
   - political effectiveness

2. Concepts of Community and Individual Self-reliance and Dependency.

   - Community Health Indicators

3. The Economy of a Community

   - definition of economy
   - community production, consumption, distribution
   - monetary and commodity flows
   - wealth and income production
   - cash and non-cash income
   - MEDFO and SNEDCO as sources of assistance

4. Community Economic Development Concepts

   - wealth
   - investment
   - work
   - jobs

5. Community Development Models

- export base
- income and expenditures
- input - output
- socio-economic

PHASE THREE

INVESTIGATION FOR ECONOMIC DEVELOPMENT POTENTIAL

Goal

The goal of Phase Three is the identification of major areas of economic development potential.

Objectives

In support of the goal, the principal objectives are:

- to begin actual hands-on research; and
- to provide the "tools" required to accomplish the investigation.

Activities

The activities are entirely workshop work type assignments, using real and specific areas of potential.

Content

1. Community economic development strategies

   - maximizing inflow and minimizing outflow of income
   - export enhancement
   - import replacement
   - local savings and investment

2. Investigation and analysis of strengths

   - economic indicators
   - resources, physical
   - human resources

3. Identification of weaknesses

   - access to resources
   - financial constraints
   - lack of "business culture", management, work ethic

4. Socio-economic development strategies

   - motivation
   - capacity and opportunity enhancement
   - entrepreneurship
   - skills training
   - work skills counselling
   - developmental use of basic funding

PHASE FOUR

ESTABLISHING THE DEVELOPMENT CORPORATION AND PLANNING FOR SPECIFIC BUSINESSES

Goal

The goal of Phase Four is to bring the community in general and interested individuals specifically to business plan entry point.

Objectives

In support of the goal, the principal objectives are:

- o to clearly define business options; and
- o to develop an economic and political climate within which development may occur and that will support such development.

Activities

- o Lecture classes related to business fundamentals.
- o Hands on examples related to business planning.

Content

1. Community Economic Development Corporation

2. Development Options

   - development corporations
   - incubators
   - private corporations
   - equity participation arrangements
   - joint ventures
   - co-operatives

3. Business Planning

   - market analysis
   - financial feasibility
   - marketing strategy
   - organizations, operation, management, financial plans

4. MEDFO and SNEDCO

   - programs offered
   - types of assistance
   - accessing funding
   - accessing economic development and business expertise

SECTION TWO

DELIVERY

PHASE ONE

COMMUNITY ORIENTATION AND ORGANIZATION

TIME FRAME: One day.

Morning - general introduction to the whole community.

Afternoon - detailed outline of the program to persons interested in economic development.

FORMAT: The morning session has, as its basic purpose and function, the raising of awareness toward economic development.

1. Worksheet Number One - identify strengths and weaknesses of community.
2. Presentation - terminology and the basic concept of economic development. (Worksheet Number Two)
   - information related to MEDFO and SNEDCO (Worksheet Number Six)
3. Identify community members who are genuinely interested in economic development:

   a. politically;
   b. for business reasons; and
   c. in a supporting role.

The afternoon session will center upon a further investigation of potential, in natural and human resource terms.

1. Organizing for development.

   a. Business meetings (Worksheet Number Three).
   b. Steering Committee to study the formation of the New Business Development Organization (Worksheet Number Five).

2. Identifying goals. (Workshop format, Worksheet Number Four).
3. Basic economic development theory. (Lecture)

WORKING MATERIALS: Handouts: Worksheets;
"How to" information;
Overhead projector materials; and
Glossary.

PHASE TWO

ECONOMIC DEVELOPMENT CONCEPTS

TIME FRAME: Two days.

Day One

1. Defining the exact roles and responsibilities of the New Business Development organization.

2. Lectures and workshops.

Day Two

1. Hands-on usage of materials from day one.

2. Major decision making process to be clearly defined.

3. Process and time frames for the succeeding fifty-two weeks laid out.

FORMAT: This phase follows directly from the end of Phase One. It continues from the basic economic development theory and proceeds to the specific knowledge required to undertake and proceed with community development.

Day One

1. Discussion related to the new Business Development.

2. Identification of Health Indicators.

3. Detailed presentations of economic development required knowledge areas.

Day Two

1. Discussion/Workshop to lay out economic development strategy for the next fifty-two weeks. (Worksheets Number Seven and Eight)

2. Community development leaders named. (Worksheet Number Ten)

3. Listing of facts relevant to the fifty-two week plan. Education, employment, business and social statistics.

4. Identification of areas of prime business and service potential. (Worksheet Number Nine)

5. Establishment of a relationship between all existing and planned agencies, business and services.

WORKING MATERIALS: Government regulations.
Lecture notes.
Overhead projector.
Materials.

PHASE THREE

INVESTIGATION FOR ECONOMIC DEVELOPMENT POTENTIAL

TIME FRAME: Three days.

Day One - lectures and exercises.

Day Two - investigation, using day one knowledge.

Day Three - Decision making related to business and service pursuits that will be carried out in Phase Four.

FORMAT: This phase is an outgrowth from and expansion of Phase Two. From the end of Phase Two which identified specific areas of economic development potential, Phase Three investigates these areas to determine viability and validity.

Day One - Lectures and exercises. (Worksheets Number Eleven and Twelve)

Day Two - Putting numbers and facts to specific identified areas of potential. (Worksheet Number Thirteen)

Day Three - All-community decision making based upon the verified recommendations of the New Business Development Organization. The general community must participate in at least a portion of this phase since the decisions made during this phase will have a direct impact upon the entire population. (Worksheet Number Fourteen)

WORKING MATERIALS:

Cash flow systems.
Economic indicators. (Using flipchart)
Development prerequisites. (Day Three {above}, Community Input)
Sources of funding.
Resource availability listing.
North Coast Tribal Council Materials

PHASE FOUR

ESTABLISHING THE DEVELOPMENT CORPORATION AND PLANNING FOR SPECIFIC BUSINESS

TIME FRAME: Three days.

Day One - Setting up the Community Economic Development Corporation (Non-profit).

Day Two - Investigating various for-profit corporate structures.

Day Three - Business Planning

FORMAT: This phase consists of the essential step that allows a community to move from the investigation stage to the implementation stage. It is not an entrepreneurial training phase, rather, it provides the knowledge prerequisite to entrepreneurial development.

The format is academic, consisting of the delivery of information required to make decisions, to set up the Development corporation, to develop business plans and to seek funding.

WORKING MATERIALS: Study guide related to corporations.
Incorporation kits and documents.
How to conduct research.
How to develop business plans.
Seeking funding.
Saskatchewan Tourism and Small Business - "Starting A Business In Saskatchewan".

SECTION THREE

PRIMARY RESOURCE HANDBOOK

CONTENTS

PRIMARY RESOURCE HANDBOOK

INTRODUCTION

IN ORDER TO ACHIEVE ECONOMIC GROWTH, —ECONOMIC DEVELOPMENT MUST BE UNDERSTOOD IN THEORY AND IN PRACTICE

A basic contention is that most individuals consider economic development to be a prime creator of jobs.

More permanent jobs means a need for more business. In order to create new business, a more businesslike attitude is required. The development of a new attitude toward business, one based upon the realities of business, is the focus of this introduction to economic development.

- Realistic Business - A Money Making Idea
  - Know How
  - A Market For The Idea
  - Money To Finance The Idea
  - Formal Operating Structure

A New Business Development Organization (business people, political leaders, advisors) should be formed early in the community economic development awareness process. A chairperson and secretary should be in place and should meet regularly for:

- support;
- discussion;
- research; and
- decision making.

This development process requires a committment to achieving economic development awareness and to understanding the complexities of new business development.

1.0 THE DYNAMICS OF DEVELOPMENT

Dynamic qualities of self-renewing communities:

- o resilience;
- o creativity;
- o initiative-taking;
- o diversity; and
- o positive attitude.

Policies and programs that measure their objectives solely in terms of jobs and income do little to achieve these qualities.

Policies emphasizing new firm formations rather than relocations provide a relatively lower risk, lower cost, actuarial approach that is less subject to failure because it is not project oriented.

Policies concerned with establishing conditions favorable to compnay formation rather than with financing and servicing specific plants or industries builds on entrepreneurial potential.

New companies are started as a result of:

- o The decision to <u>change from</u> a given life path; and
- o The decision to <u>change to</u> a business life path.

The choice of changing to a business life path is the product of two perceptions:

- o Perceived desirability; and
- o Perceived feasibility.

Perceived desirability is a function of:

- o Culture;
- o Socio-economic structure;
- o Family education;
- o Reers; and
- o Influential key persons.

Perceived feasibility is a function of credibility dependent upon:

- knowledge;
- resources;
- assurance from respected key persons; and
- examples of others like oneself.

2.0 ECONOMIC DEVELOPMENT

2.1 Economic Development Concepts

Economic development is the process through which the opportunity for increased community economic production occurs.

Community economic production is the total market value of all the goods and services produced by the community. Although there is no convenient method of calculating it, increased community economic production is the basis for every community economic development program.

The community which has potential for economic development will usually also have potential for social, physical and political development as well.

The combination of these four areas of development - physical growth social vitality, economic viability and political effectiveness is known as community development. Community development is the comprehensive development of all aspects of the community environment and is characterized by improvement, both tangible and intangible, in the well-being of people in the community.

The differentiation between community development and community economic development should be well understood. In the best of all possible worlds, community economic development organizations would have identical goals with community development organizations. In reality, a community economic development organization whose mandate is economic growth (increased community economic production) will find the social and political aspects of community development incompatible with its primary mandate. Real understanding of the difference is essential to aviod the trap of trying to be all things to all people.

In fact, most economic development organizations will find themselves at odds with community development practice because:

- o rather than concentration on a specific function, community development activities frequently have organizational, team building and other "soft" goals;

- o staff, in community development organizations, often must choose between project specific work and service to volunteers. Often the volunteers seem more relevant to the employee's future;

- o budgets, which are always limited, are easily diluted by activities which respond to the divergent priorities of community development;

- o most economic development organizations acquire decision oriented volunteers who can become frustrated by the long, consensus based process which is common in community development; and

- community development is "grass-roots driven", the allocation of resources to one project at the expense of others is unlikely to occur.

As a result of the establishment of MEDFO and SNEDCO, a strong economic development support structure has been made available to Metis people in Saskatchewan. With this support structure in place, economic development organizations at the community level are now required.

Most communities have never given the job of encouraging economic development to a specific committee or individual. Because no one was responsible for development, few people have really stopped to realize why their community is poor. If they had, they would realize that:

- the jobs which people have usually create wealth for employers outside the community;
- with limited stores and services, income goes to create jobs and profits for people outside the community;
- needed services in the community are unavailable because no community resident feels capable of supplying them;
- since little wealth is created in the community, it is entirely dependent upon outside funds - grants, government jobs, etc for growth; and
- since there are no community alternatives, residents must accept what others provide - both in employment opportunities, the availability of goods and services and grants and loans.

In short, money which comes into the community goes directly out again. It does not stay in the community to buy goods and services, create profits and jobs and generate wealth for re-investment because there are few stores, few electricians, plumbers and trades people, etc. The money which flows directly out of a community without creating any wealth is referred to as "leakage".

To change this situation and to initiate economic development, it is necessary to achieve three goals:

- to increase the direct opportunities for long-term employment in the community;
- reduce the "leakage" of income from the community; and
- develop projects which attract outside capital and revenue to the community.

The economic development organization which must achieve these goals must rely on either community economic development programs or business development programs.

Community economic development generally refers to employment creation programs which provide jobs for residents and which produce some community benefit such as public works, recreation or student employment Community economic development projects are usually publicly funded and seldom create permanent employment.

Business development programs create the environment and the incentive for entrepreneurs to get into business for themselves. Some of the capital to start businesses may come from the public purse but the entrepreneur must also invest. Business development not only creates employment but also provides profits for reinvestment.

Most community economic development projects have been projects using government resources and existing programs. Business development projects are much more complex than routine government programs and much higher risk. The difference between government and business development projects is very striking:

Management - The management of government projects is based upon delivering programs efficiently in accordance with established guidelines; the management of business development projects is based upon meeting the needs of the customers effectively and efficiently while making a profit, with few established guidelines.

Market - The market for government projects is usually a captive market limited to residents and those who cannot get the service in any other way; the market for business development projects is subject to open competition by anyone who feels he can provide the service more effectively.

Manpower - Manpower for government projects is frequently subject to constraints established by the government or the funding agency resulting in inefficient use of personnel; manpower for business development projects is controlled exclusively by the ability and performance of the employee. Government projects are frequently established as a vehicle to create jobs; business development projects are always established to make money with as few jobs as may prove necessary to operate profitably.

Money - Money in government projects is usually provided by grants, is assured and often in place prior to the start of the project; money in business development projects is usually partly borrowed and must be repaid from profits while the continued life of the project depends upon the cash flow of the business.

It is apparent that a business development project cannot be handled in the same manner as community economic development projects. The business development project requires a business development approach which is characterized by:

- risk taking;

- starting small in keeping with acceptable risk; and

- aggressive growth based on financial and operational opportunity.

For most communities a combination of community economic development and business development is desirable. In many communities, one community development organization is usually given the task of both community economic development and business development. It is almost an impossible task for one committee to achieve. For this reason, business development is frequently undertaken by a business development corporation specifically set up for the purpose.

2.2 Economic Development In Saskatchewan:

In Saskatchewan, economic development was the exclusive preserve of governments. Federal, provincial and local governments determined the content of development programs, identified the target development activities and, in many cases, carried out the activity. As a result, business development programs in Saskatchewan frequently responded more adequately to political and bureaucratic priorities then to the needs of the investor and the business community.

A recent development has been the elaboration of the total community development approach as applied to small communities. The economic development activity comes as a part of the community development program and may produce nominal economic results. The priorities of economic development become secondary to the general priorities for community development.

A properly established community development program with good community input will be able to deliver a first-rate economic development program. Unfortunately, such programs are hard to develop and hard to maintain. Few community development specialists come from a business background so programming and activities tend towards the development of community organization rather than the development of business.

The important factor to remember in Saskatchewan is that most economic development is undertaken by program people who have very little practical business background. Those with business backgrounds are happily in business.

Local people involved in economic development must be constantly aware of the need to bring hard-line business reality into its development efforts.

2.3 The Real Purpose Of Economic Development:

The real purpose of economic development is to increase the market value of the productive efforts of a community as measured by the community economic production in dollars. Although in many communities the culture may encourage bartering or trading with no cash changing hands, this "non-cash" productive value is every bit as important as the "cash" economic. It is difficult to assess the value of the "non-cash" economy and most economic development activities deal only with the "cash" economy. Every economic development organization must have this as its primary purpose.

If, as governments often suggest, a community organization should concentrate on job creation, the organization is a community economic development organization. Job creation is usally a political device, usually short term and usually less than productive in an economic development sense. Job creation programs oblige the community to adhere to somebody else's priorities.

If the community organization concentrates on the establishment or expansion of businesses, it is a "business" development organization. Business development is slow and difficult but the results are usually sustainable over a long period creating permanent employment with growth potential, profits for reinvestment and sustainable growth.

If, as is often the case, a community organization undertakes research, surveys and community projects, the organization is usually a community development organization not an economic development organization. The projects may be valuable but they seldom contribute to increasing the market value of goods and services. They are activities which provide services in kind, not in cash.

Increasing the market value of the productive efforts of a community means an increase in the wealth of the community measurable in dollars not by abstract concepts of community well-being.

2.4 The Real Purpose Of Local Economic Development

The real purpose of local economic development is to move the economy of the community from where it is today to where it would like to be in the future. Because every community is unique it is difficult for an outsider to suggest what this means.

Where the local community is today -
It is generally redundant to attempt to measure the community economic production of a small community. Even with simple economic indicators (jobs, construction value, etc.) the information is unreliable and lags the event by such a long period of time that no real use can be made of it. There is no doubt that some political value can be found in one/two year old statistics but the economic development committee needs more useful information on which to make decisions.

What is useful are the insights of those who are part of the development of the community. Real community productivity can be usefully measured by gaining information in two areas:

- what was done well during the last year; and

- what could have been done better in the last year?

This information, properly analyzed, provides a real basis for local economic development planning. From it a knowledgeable person can usually gauge the potential in the community and can indentify strengths and weaknesses.

Where the local community would like to be -
The most difficult role for any economic development organization is meeting expectations. Regardless of performance, there will be unfulfilled expectations. In planning for economic development, it is important to realize there are two levels of expectations - the internal expectations of those who are involved in the development activity and the community expectations of those who are external to the activity. The internal expectations of those involved direct the development of the actual program; the community expectations influence the political direction the actual program will take.

In reality it is difficult to set long term economic goals because community expectation changes rapidly. People do not think in terms of 3-5 years when they think of personal money matters; they expect results now. By seeking community expectation, one can:

- o gain significant, genuine input from those who are most affected;
- o motivate the community about economic development; and
- o provide a base of support for future hard decisions.

There is also a fourth reason for seeking out community expectation which unfortunately is often the only reason for surveys, studies and research:

- o to occupy time and volunteer effort which could be more productively used in "doing the right thing" if they knew what the right thing was.

2.5 The Purpose Of The Economic Development Organization

An economic development organization which does not have a simple, commonly understand reason for its existence will have a difficult time deciding what results it should achieve.

Regardless of constitutions, bylaws or resolutions setting up economic development organizations, the purpose is seldom usefully defined. Planners call it a mission, which may be correct for a community development organization, but an economic development organization has a purpose - the very reason for its existence. It should be a brief statement, no more than 50 words, telling, in plain language, what the economic development organization is set up to do.

It should be the kind of statement which could be put on a sign and hung over the office door so every passer-by would understand what the economic development organization was up to.

An example of a purpose for an economic development organization could be:

> "To expand and enhance the economic activity in our community by implementing development programs which provide all citizens with improved opportunities for participation in economic growth".

Such a purpose looks simple but it is deceptive.

It restricts the economic development organization "to expand and enhance economic activity", no general community development.

It requires "development programs", no simple chasing of prospects when they appear.

The economic development organization is responsible for "all citizens" who must have improved opportunities "for participation".

The economic development organization which could stay within this purpose would be doing a great job of economic development.

3.0 THE FIVE M'S OF BUSINESS

Community residents who have not had much exposure to business will need to learn some business basics before they can be usefully involved in the development program.

For extreme simplicity, it is important to know that five elements are necessary for every business. Large and complicated businesses may have additional elements, but all successful businesses have the basic five. They are easily remembered as the five "M's" of business.

Method - every business must have a method by which revenue is generated. It may be selling products at retail, manufacturing products or providing a service. Regardless of what it is, the method must be well understood and reasonable.

Market - enough people have to be prepared to buy the product or service to ensure success. There is no sense making the basic product if no one wants it. One only has to think of companies like Massey Harris or Studebaker to realize how important market is.

Manpower - skilled hard-working and experienced employees are required to make a company go.

Management - the manager is totally responsible for the success or failures of a business. No new business can even be considered unless sound, experienced management is available.

Money - a business must start with the necessary capital to purchase buildings, equipment and raw materials. It must also have the working capital to cover the costs of operations - salaries, rent, loan payments - until sales and profits take over. If the necessary capital is not available, the business will be unsuccessful.

4.0 BUSINESS DEVELOPMENT ORGANIZATIONS

Economic development projects in the community require the support of a well established, competent organization. The identification, planning and starting of a business venture is a slow and difficult process. It may take many months before even a small venture can be launched. Once a venture is started it may require almost constant monitoring until the management and staff have gained enough experience to operate independently. The community requires a well established business development organization operating on behalf of all residents but at arm's length from the local council to provide the focus on economic development.

4.1 Characteristics Of A Business Development Organization

A business development organization should have:

- o the ability to take a comprehensive view of all opportunities, not just the limited challenge of a particular project;
- o an entrepreneurial attitude predicated on finding opportunities in every area of community life;
- o a commitment to planning and training in economic development, management and finance;
- o a manager capable of assuming responsibility for all aspects of business development activity;
- o sound financial administration;
- o capability in managing consultants and outside resource people to the ultimate benefit of the business development organization;
- o a willingness to accept the reality of the business development process which may take time to produce results; and
- o the ability to learn from its experience and to make changes in direction and emphasis as required.

The business development organization will have many things which it <u>wishes</u> to accomplish, but there are some things which it <u>must</u> accomplish:

- o clearly defined purpose, goals, objectives, roles and responsibilities;
- o strong financial administration responsible to the Board;
- o aggressive leadership and management;

- strong communications and linkages with residents;
- super-effective levering of available financing;
- good relations with the non-Native business community;
- an abundance of valid projects waiting to be developed; and
- at least one successful project in operation quickly.

There will be many ways for the business development organization to develop projects, including:

- ownership of new ventures by the business development organization;
- joint-venturing with other investors or existing business firms;
- initial ownership of new ventures to be spun off (sold) to individuals once they have the capability to run the business;
- facilitating the support of Council and governments for projects requiring such participation;
- securing contracts for service work available only to recognized contractors; and
- providing management and professional support services to independently owned business operations in the community.

With the establishment of the business development organization comes the need to set policies and plans for economic development. Most business development organizations will have a purpose and long-term goals as part of their initial legal organization. The short-term objectives, strategies and venture criteria must still be set and before this can be done some analysis of the community is required.

A usual analysis is an income and cash flow analysis. In most of our communities most aspects of this type of analysis are redundant - the income is from limited employment and transfer payments and since there is almost no community business enterprise, almost all the income "leaks" out of non-community businesses. Only the income and expenditures of the Councial and government contribute in any real way to a multiplying of the local economy.

However, to provide essential information on which to base short-term objectives and strategies, a comprehensive analysis of the community based on its functional potential is required.

4.2 Advisory Committee To The Business Development Organization

A great advantage which established urban businesses have is casual and regular access to quality advice. On a day-to-day basis, city business people meet and talk with their bankers, lawyers, accountants, sales people and their competitors. They meet over coffee, at service clubs and at business meetings. They exchange information. The Manager of the Business Development Organization and its Board Members do not have this opportunity.

To be successful, the Business Development Organization will create the opportunity for itself by inviting key business advisors to sit on a Business Development Organization Advisory Committee. The Advisory Committee will meet with the Board and Manager of the Business Development Organization about 3 or 4 times a year with two purposes:

- to provide information and advice to the Business Development Organization at these meetings; and
- to act as an ambassador for the Business Development Organization the rest of the time.

Members of the Advisory Committee may have many characteristics but the most important is the influence which they can bring to bear on behalf of the Business Development Organization. This influence is directly related to:

- their control of financial resources and institutions;
- their access to information;
- their communication network; and
- their freedom from dependence upon political and business peers.

The more of these characteristics an Advisory Board Member has, the more useful he will be to the Business Development Organization.

5.0 COMMUNITY ANALYSIS

5.1 The Strengths And Weaknesses Of The Community

Within each community are human, physical, financial and political resources. Relative to economic development potential, the adequacy of the resources available may prove to be a strength or a weakness. When a strength, policies will be set to take advantage of them; when a weakness, policies will either bypass or try to convert the weakness to a strength. Each development category-social (human) resources, physical resources, financial resources and political resources must be reviewed.

- Human resource strengths and weaknesses relative to the business development organization's interests are centered on job skills, potential for training, orientation towards entrepreneurship and employment and management potential. General demographic analysis (population, age, sex, etc.) is of nominal value in the initial policy setting.

- Physical resources, particularly exploitable natural resources under community jurisdiction, are the elements which make a strong initial impact on policy. Other physical resources - building, land and infrastructure (streets, sewer and water, etc.) contribute to the capacity of the community to accommodate new developments.

- Financial resources available to the community set the policy direction for the business development organization from the outset. These include cash and liquid assets, credit worthiness, sound financial operations and institutional support.

- Political resources available to the community often set the direction of development policy. Local political infrastructure, access to leaders - both Native and white - as well as party political contacts influence policy.

The analysis of strengths and weaknesses can only be done within the community by the business development organization using a combination of statistical data and local knowledge.

5.2 Opportunities And Threats From Outside The Community

The community itself represents a very small part of the economic development action. Most of the situations which affect the community are controlled by events and people far from the boundaries. Constant awareness of economic development opportunities and threats which relate to the business development organization and the community is the difference between inward-looking job-creation policies and outward-looking wealth-creating policies.

The constant analysis of external opportunities and threats is much too great a task for an individual business development organization. Since the analysis of external situations is of common interest to all Metis communities, information and analysis will be a part of the role of both MEDFO and SNEDCO workers.

6.0 PLANNING FOR SPECIFIC BUSINESSES

6.1 Information Needs Of Specific Businesses

In this age of databases, electronic data processing and opinion polls, there is a large amount of information available. The usual problem for a business person is determining what information is useful rather than what information is available. Before any surveying or data collection is done, a decision must be made as to what information is really needed. For most businesses, what is needed is relatively simple and falls into three categories of information:

- market;
- business operations; and
- human resources.

The Market

It is necessary to know whether there is anyone who will buy the products or services of the business. It does not help to know what the market in Regina or Southern Ontario is if you are going to operate a store in Buffalo Narrows. Therefore, it is essential to find out first what the market area is. If one is going to run a restaurant, the market area only includes the area from which people will actually come to eat. If one is cutting posts, the market area is as far as you can truck them and still sell for a profit. Most of the surveying and data collection should deal only with the relevant market area.

Once the market area is defined, one must identify the target customers. Who in the market area is presently buying or would buy the products or services that are going to be offered? If one is starting a restaurant, everyone is a potential customer but if one is thinking of a jean shop, most of the customers will be young people. Do not spend valuable time surveying people who are not part of the target market.

Once it is known who the probable customers are, one must determine how much money is available to be spent and how much will be spent on the product. How much one has to spend is called disposable income and it includes wages and unemployment insurance. How much one has to spend on the product or service is much more difficult to find out. If one is selling groceries or fuel, these are called essentials and can be estimated quite accurately. If one is a beautician, he or she are providing a non-essential service and the market is more difficult to establish. Whether essential or non-essential, the total amount to be spent on the product or service in the market area is called the available market.

Finally, once the total market for the product or service has been established, we must determine how much of that market can be captured. It is not realistic to assume that one will get

100% since some people will always find somewhere else to buy. If one has competitors, especially catalogue companies like Sears, it must be estimated how much of the total market will be obtained. The amount of market which one is likely to obtain is called the market share.

Therefore, in the market category, the information needs include the following:

(a) market area;
(b) target customers;
(c) available market; and
(d) market share.

Business Operations

Before one can start a business, one must know all the day-to-day operations required for that business. One can not have a successful restaurant if he or she is not able to cook. Even more important are the financial aspects of the business; what do goods cost?; what are the mark-ups?; how much are employees paid?; and how does one keep books? All of these key questions must be answered during the survey and data collection phase. Many people who had wanted to be in a certain business find that they really would not like to do all the things that are required. A complete understanding of what is involved in operating the business should be a result of the initial investigation.

Human Resources

Not just anyone can make a success of a business. Business people are unique people. The first step in assessing ones suitability as a business person is a self-appraisal based on what is required of a business person. Once in business, success or failure depends entirely upon the business person and there will be very few outsiders who will help. If employees, their success or failure also depends entirely upon the owner. It is essential for the business person to evaluate his or her characteristics as part of the initial needs identification. The North Coast Tribal Council in its publication, "Stating a Business", lists seven important characteristics for being a successful business person.

Ambition: one needs more than just the desire to be their own boss. He or she must have the will, the drive, and the physical and emotional strength to accept the responsibility and put in the hard work and long hours.

Risk Taking: Starting from scratch in a business is risky. It's not meant for people with weak hearts or nervous stomachs. Desire, discipline, and the willingness to take a chance will see one through the rough times. If the necessary groundwork is laid then all that's needed is the courage to jump into unknown territory believing one can do it.

Creativity: Entrepreneurs are very creative people. Having a vision of what one wants to develop is important but a person must be able to create what they see in their mind's eye. It takes courage to think for ones' self and try out new ideas. The business person needs clear, creative thinking to see mistakes and must know how to correct them.

People Sense: Once one has decided what he or she wants to do, they need other people to help get it going. There are bankers to convince, landlords, suppliers, maybe employees and most importantly, customers. Getting along well with all these people means that one will have to be confident, friendly, polite, considerate, honest and not alwasy say what one thinks.

Being Understood: One of the things that will help the business person get along with the people he or she needs to make the business work, is the ability to put thoughts into words and on paper. If one can make people understand exactly what it meant and what is wanted, there will be fewer problems. Remember one can always seek help. The banker will be easier to convince if presented with a well thought out business proposal.

Common Sense: Anyone who can make logical decisions based on facts is well equipped to make a business work. And if help is needed - get it!

Know How: It's always a good idea to have some experience in the type of business or service being started. An experienced welder has a better chance of establishing a successful welding shop than someone with no experience. If one has no experience then he or she have to do some homework. Read all that can be found on setting up a business, especially books that deal specifically with the business in mind. Your MEDFO Field Representative would be happy to assist you.

It should be noted that the above characteristics are not likely to be learned at a course or training program; the business person must have them.

It is also essential to know what <u>skills</u> are required to operate the business and to establish whether those skills are required by the owner or whether they can be acquired by means of hiring employees who have them. Skills can be learned at training programs but most businesses cannot afford to send employees to training programs and, most frequently, business people try to hire trained or experienced staff.

The manager is responsible for the success or failure of the business. Managers are usually thought of as performing five key functions:

- o planning;
- o organizing;
- o co-ordinating;
- o controlling; and
- o delegating.

However, most managers actually perform a variety of roles in carrying out the above functions; managers of small businesses will be more aware of their roles than of their formal functions.

- Entrepreneur: always looking for new ideas and opportunities to improve operations and profits.

- Negotiator: negotiating with employees, government officials, customers and suppliers to gain advantages for his or her company.

- Resource Allocator: deciding on budgets which make the best use of resources.

- Trouble Shooter: dealing with emergencies which require decisions.

- Leader: providing leadership to employees and others in order to achieve goals.

- Figurehead: symbolizing the company.

- Liaison: initiating, maintaining and developing contacts for the benefit of the company.

- Spokesperson: speaking out on behalf of the campany and employees.

- Monitor: monitoring company performance and compares it with goals.

- Communication: the communication link among everyone involved in any way with the company.

6.2 Economic Indicators

Economic indicators are measurements of economic or business activity which help to give a picture of the health of the economy. Some common indicators are the gross national product, the cost of living index and the rate of unemployment. Although the foregoing indicators may be of interest to economists and government officials, they are not much help in starting a business.

There are some indicators which can be helpful to businessmen and they are indicators which measure economic factors which could affect your business. These indicators will almost always be local or provincial statistics and will deal with matters which affect your market area. Some typical examples are listed below.

Resource Indicators

Logging, mining, fishing and agricultural statistics. Resource statistics usually include volume harvested plus prices.

Transportation Statistics

Number of flights, passengers, freight carried, and rates are all strong indicators of business activity.

Tourism Statistics

Hotel occupancy, charter flights, fishing and hunting licenses, and outfitters activities indicate seasonal or extra disposable income within the area.

Business Statistics

Retail trade, real estate activity, building permits, etc. are good indicators of how others are doing. Unless the statistics are collected by government, they are almost always confidential to the collector.

Organizations & Associations

Such as the Saskatchewan Chamber of Commerce or the Northern Outfitters Corporation, maintain information on their members which is often available and useful.

A word of caution: almost all economic indicators available to the busines person are "lagging" indicators meaning that they are indicators of what has happened. "Leading" indicators which tell what is likely to happen are usually the result of computer analysis and projections and are almost always too general to be of much help to the individual starting a small business.

6.3 Business Policies

Every business has to establish policies. As with government, business policies reflect the philosophy of the business person about the way he or she wishes to conduct his or her business. Policies are usually established in the basic five areas of business decision making:

- o personnel (manpower);
- o operations (method);
- o marketing;
- o finance (money); and
- o management.

Business policies are set by the business person to ensure that the business is carried on in an orderly fashion. For example, in the area of personnel most businesses would have policies which cover such things as:

- o hiring and firing;
- o hours of work;
- o vacations;
- o sick leave; and
- o annual appraisals.

Similar policies for the other four areas are also required. In a large company, polisies are usually written down. In small companies they may be discussed and understood. Even in a one person business, policies are required and should be adhered to.

6.4 Business Organization

A small business is usually organized as a closely held private corporation. This means that it is a limited company but its shares may only be sold to close acquaintances of the principal shareholders. The shares may not, normally, be sold to the public.

Business corporations may issue many classes of shares but the usual classes seen in small business are common voting shares and preferred, non-voting shares. Common shares are authorized and sold to those shareholders who wish to have some say in the operation of the company. Common shares entitle the shareholder to participate in shareholders' meetings and to one vote for each share held. Preferred, non-voting shares are sold to shareholders who wish to invest in the company and who wish to receive a guaranteed minimum return, usually a rate of 5% - 10% annually. Preferred shareholders have no voting rights at meetings of shareholders. Both common and preferred shareholders may receive dividends when declared by the company.

In Saskatchewan, venture capital corporations may be formed to invest in specific businesses. Investors in VCC's receive certain tax benefits but seldom have a great deal of influence on the companies in which the VCC invests.

Small corporations are commonly structured with the principal shareholders as the President and General Manager. He or she will also usually act as Chairperson of the Board of Directors. As a result, the principal shareholders influence the direction the company takes and, hence, its success or failure.

The Board of Directors is much more important than most small corporations will allow it to be. The purpose of the Board is to set policy for the company. A wise company President will see that the board members have experience and business knowledge which fill in his or her short-comings. Too often the Directors of a small corporation are simply a few friends of the President. Ideally, the role of the Board is:

- a trustee of the shareholders interests;
- broad policy setting;
- providing direction to achieve financial goals; and
- advisor to the President/General Manager.

It should be responsible for:

- shareholders' interests;
- financial Management and control;
- policies and plans;
- organization; and
- operational controls.

In a small business the Board should meet about once every two months to provide ongoing interaction with the President.

Small businesses are also organized as sole proprietorships and, on occasion, as general parternships. Detailed information is available on Worksheet Twelve.

6.5 <u>Business Financing</u>

In financing a business, money is required for two purposes - to pay for the land, buildings and equipment required for the business and to pay for the day to day costs of running the business. For example, salaries, telephones and buying goods for sale. The money required for buildings and equipment is called <u>fixed capital</u> because it is used to buy assets which are tangible and which, generally, are "fixed" to the ground. The money required to run the business from day to day is called <u>operating capital</u>. Operating capital is needed for two kinds of expenses - non-variable and variable. Non-variable expenses are expenses which recur and are the same every month, such as rent or salaries, and which can be reasonably well planned. <u>Variable expenses</u> are expenses which depend upon the business activity, such as freight costs or sales commissions, and which can only be estimated.

The money to cover fixed capital and working capital must be available <u>before</u> a business is started. Since very few business people have all of the cash available to meet the overall capital required, some of the money is usually borrowed from a bank or some agency such as the Saskatchewan Native Economic Development Company. The business person's own money which goes into the business is called <u>equity</u>; the money which must be borrowed is called <u>debt</u>.

Equity can be made up of cash, the value of assets which the business person can put into the business (buildings or equipment) or non-repayable contributions from agencies such as Special ARDA or NEDSA. Sometimes "sweat-equity" or the value of the business person's own labour may be considered. A practical rule of thumb is that the business person should have equity equal to 25% of the total capital required.

Debt is borrowed money. The lender will always require the business person to provide some tangible assurance that the loan will be repaid. This assurance is called security. Security is an agreement between the business person and the lender that if payments are not made on the loan, the business person will give up something of value to the lender to ensure the lender does not lose his or her money. The most common form of security is a mortgage on land and buildings. Security can be taken in many forms and is always required. In some cases the lender only requires a promise from the business person to repay the loan. A simple promissory note is signed by the business person and the loan is completed. A promissory note is usually only available to someone with an excellent credit history.

The terms of the loan provided for the business person are very important since terms which cannot be met will only result in future problems. Money which is borrowed for fixed capital requirements, buildings or equipment, is usually borrowed on a long term basis. The term of such a loan could be 5, 7, 10 or 20 years. The term of the loan reflects both the ability to repay and the expected life of the asset purchased. The term will never exceed the useful life of the asset. Long term loans are almost always secured by some form of mortgage or comparable agreement.

Short-term loans, usually of no more than 4 years, are common for equipment which depreciates rapidly such as vehicles. Security is almost always related directly to the item involved.

Money which is borrowed for working capital requirements is usually negotiated as a revolving line of credit. A line of credit allows the business person to borrow a large amount when required but automatically reduces the loan to a mimimum amount when deposits are made. Security for a revolving line of credit varies but usually includes security on inventory and accounts receivable as well as a general business security arrangement.

If the business person has no credit history or limited equity to put into the business, he or she may be required to sign a personal guarantee for the loan. A personal guarantee is the lender's way of going outside the security available in the business operation and gaining the security available in the business person's personal assets. If the business fails, the lender can then demand that the business person pay off the business debts. Business people should be extremely cautious of signing personal guarantees and should understand fully what can happen if he or she is required to make good on the guarantee.

6.6 Government Policy, Programs and Regulations

All levels of government are actively involved in the area of economic development, particularly as it relates to Native people. Governments carry out this involvement through three levels of decision making: policy, programs and regulations.

Policy

The government establishes an economic development policy in order to fulfill its political philosophy of how the economy should function and how individuals should participate in the economy.

These political philosophies involve concepts of wealth, work, jobs, capitalization, marketing, technology and development. Because these philosophies are so general, it is necessary for the government to specifically detail what it would like to see happen to fulfill their philosophies. To do this it prepares government policies which are statements of how the government will try to handle such issues as economic development. The government therefore has policies on such things as Native economic development, northern development, resource development and so on. The most common way for us to recognize government policy is in the legislation which is passed in Ottawa or Regina.

Programs

Once legislation is passed stating the government's policy, programs are then set up to ensure that the policy will be carried out. An example of this is the Native Economic Development Program which was set up to ensure that the government's policy to encourage Native businesspersons would be carried out. Canada Employment and Immigration Commission programs are set up to carry out the government's policies regarding job creation.

Programs indicate the scope of support which will be provided to carry out a policy. Programs are usually written in very general terms which tend to include a wide range of activities. The program is best thought of as a description of what could be possible under the legislation. The program is usually the basis for advertising the policy to the general public.

Regulations

What actually will be done under the legislation is determined by the regulations. These are the rules by which program applicants are governed. Regardless of the advertising in the paper about the program, the regulations govern whether one does or does not qualify.

Summary

It is important for the business person not to raise his or her expectations when one hears a politician describing his or her party's policy on economic development. The benefits to the business person are limited by the program and by the specific rules or the regulations.

Many people become frustrated with government because they do not understand the above three terms. It is very difficult to get government to bend from the regulations (usually only by a direct Ministerial Order or with Cabinet Approval will regulations be changed). It is much easier to ensure that your project meets the program regulations; the odds of approval, then, would be quite good.

Remember also, that government policies, programs and regulations are set up in accordance with the government's philosophies and priorities. It is always a good idea, when looking for program support, to be sure you know what government is trying to achieve and if possible, to align your project accordingly. Trying to change regulations at the project level is difficult and will usually prove non-productive.

7.0 BUSINESS PLANS

7.1 Business Plan Development

Two important tools used in developing the business opportunity are the feasibility study and the business plan.

The purpose of the feasibility study is to explore different options for operating the venture, in order to assess the possibility of the venture opportunity becoming successful.

The purpose of the business plan is to spell out in detail how the venture will operate and on what grounds the plans for its operation are based.

The feasibility study discusses different ways that the business *might* operate; the business plan describes the way that the business *will* operate.

Once a decision to start a business is made, a business plan is required. All of the assumptions and plans for the business and the rationale behind them are put into writing.

The business plan can be used to obtain required approvals and outside financing, as an operational plan, and as a basis for monitoring operations.

The business plan will be the major component of any loan application package.

It demonstrates the applicant's knowledge of the industry and market, the business's requirements in terms of skills and resources, and its possibilities for success and will continuously aid in decision making for the business.

The business plan describes a planned sequence of activities and results, based on assumptions about the market, the competition, and the venture.

The same person who has the idea for the business and who will manage it also prepares the business plan. Some hire an outside consultant to prepare the business plan. This makes it more likely that the preparer will have the necessary skills and business expertise, however, the applicant loses an important learning opportunity and the valuable resource of having the detailed knowledge available after the plan is completed.

Business plans have no standard format. The plan for a venture depends on the type of business it is, how the plan will be used, and the applicants' overall knowledge of the particular business.

Most business plans should discuss at least the following points:

- the industry and the business (including general industry trends and the history of the business if applicable);

- the product(s) and service(s) that the business will sell;
- the market (including market size, trends, competition, and market-share projections;
- a marketing plan (including pricing, distribution, and promotion strategy);
- manufacturing/operating plans;
- organization and management (including job requirements, personnel needs, lines of authority, wages, and skills and experience of key personnel);
- community benefits (including economic impacts, human development, and other social impacts);
- financial plans (including initial capitalization, proposed financing, and projected financial statements such as balance sheets, profit and loss statements, and cash-flow and break-even analysis);
- control and feedback systems (including monitoring plans); and
- a discussion of critical risks and assumptions associated with the business and the business plan.

7.2 A Simple Business Plan For General Use

The Opportunity (7.2.1)

Management (7.2.2)

The Product or Service (7.2.3)

The Market (7.2.4)

Financial Projections (7.2.5)

Investment Requirements (7.2.6)

Payback (7.2.7)

Each of these sections should be cross referenced to, "STARTING A BUSINESS IN SASKATCHEWAN", Chapter Four.

7.2.1 The Opportunity (Suggested length: one page)

The opening statement must get the reader's attention and convince them that the proposal deserves support. A one sentence description of the purpose of the venture in clear, simple language reflects the clarity of management's objectives.

The opening statement should be supported with additional statements which gradually expand the proposal so a concise analysis is presented. Remember that the reader may not know your business, so use easily understood terms and leave technical descriptions for detailed discussion.

A good opening statement would be:

The purpose of this venture is the establishment of a locally owned tourist development company to build a hotel complex.

7.2.2 Management (Suggested length: one page)

Lenders, suppliers, and customers will want to know who the people behind the project are. Investors will do a thorough investigation of key management to be sure that they have the capacity to do their jobs. Each person involved should be identified and his or her role described. Resumes should be written and made available upon request.

In the final analysis, business plans are only as good as the people who will implement them. The experience, contacts and interpersonal skills to provide guidance, particularly in areas where management is not strong, may be found in those appointed to the Board of Directors.

7.2.3 The Product and/or Service (Suggested length: one page)

Using non-technical language, the product or service should be explained and features, functions, and benefits should be described and compared to competitors' products on the market.

Answer these questions regarding the product or service to be provided:

- purpose;
- advantages;
- how produced; and
- unique features.

7.2.4 The Market (Suggested length: three pages)

The business will only be successful if its products or services meet the needs of the market.

This section is critical.

The market for the product or service must be fully described. A formal market study by a qualified consultant may be needed. The applicant should perform the initial market evaluation, primarily to obtain an understanding of the market to be pursued.

Some of the questions to be answered are:

- o Customers (individuals, companies, institutions, or government agencies);
- o Where are the customers? (local, in Saskatchewan, Canada, North America);
- o Distribution (direct selling or through dealers, transportation);
- o Competition (who, how many, where are they);
- o Pricing strategy (low or high margin, discount policy, dealer margins, credit and collection policies, warrantees and guarantees);
- o Available market;
- o Market share objectives (rationale and costs of achieving different levels);
- o Marketing costs (selling and travel costs, advertising and promotion); and
- o Other factors? (seasonality, regulatory requirements, assistance programs available, market trends).

7.2.5 Financial Projection (Suggested length: three pages)

A comprehensive set of operating projections using a standard accounting format is always required.

Normally, four statements will be required:

Statement of Income and Retained Earnings
Balance Sheet
Statement of Changes in Financial Position
Cash Flow Projection

These projections should forecast performance on a monthly basis for the first year, quarterly for the second year and annually thereafter for at least the first three years.

It's usually desirable to hire a qualified accountant to assemble the information into a form which will be clear to a financial analyst and to help identify items which have been missed. A professionally prepared financial statement is only as good as the data provided so be sure the figures provided are accurate. Don't guess.

7.2.6 Investment Requirements (Suggested length: two pages)

This section focuses on the cash requirements to start up and operate the venture and derives from the cash flow analysis which identifies the amount and timing of cash requirements, based upon development costs, asset purchases, start up costs, initial operating losses, and working capital growth.

7.2.7 Payback (Suggested length: one page)

This section should describe the source and total amount of investment capital required. The earliest date at which the investor can expect to recover the original investment should be stated.

The amount of the applicant's financial commitment should be specified and the proposed share distribution should be described.

7.2.8 Conclusion

7.2.9 Appendices

PART FOUR

GLOSSARY

PART FIVE - GLOSSARY

Accounting: the process of recording and summarizing business transactions during a given period of time, so as to show the profit or loan for that period, and the value of the firm's assets, liabilities and ownership.

Accounts Payable: a debt, owed by the business, that arises in the normal course of business.

Accounts Receivable: money owed to the business in payment for goods or services.

Amortization: a reduction in a debt by periodic payments covering interest and part of the principal.

Annual Report: a document published at the end of a company's fiscal year showing the company's operating and financial performance.

Assets: anything whose value can be expressed in money which can be owned and, therefore, sold.

Audit: a check of a company's financial statements by someone whose independence from the company and whose professional competence creates confidence in his judgement.

Balance Sheet: a statement of assets, liabilities and equity for a company from a specific point in time.

Bank Rate: the rate of interest charged by the Bank of Canada to chartered banks.

Bankruptcy: the financial and legal position of a person or a corporation with insufficient assets to cover debts.

Board of Directors: the senior decision - making body of a business, which supervises management and makes policy.

Book Value: the value of a corporation or asset according to the company's balance sheet.

Break Even Point: the point at which the income derived from a product equals the costs of making it.

Bridge Financing (Interim financing): short term financing arranged to meet current financial obligations until long term financing comes into effect.

Budget: a plan for annual spending which expresses the company's policies and programs in monetory terms.

Business Expense: an expense of producing or selling a product or service.

Capital: funds invested to make the earning of money possible.

Capital Asset: a possession which can be used to make money and which has a reasonably long life.

Capital Cost: the cost of using a capital asset.

Capital Gain: increase in the value of a capital asset when sold.

Capital Intensive: a business which requires significant capital investment to be profitable and requires relatively less labour.

Capital Investment: money spent on income - producing assets.

Capital Loss: decrease in the value of a capital asset when sold.

Capital Stock: money invested in a business through shares bought by shareholders.

Cash Flow: the income and outflow of funds available for regular operating costs.

Chattel: portable, personal property.

Collateral: an asset pledged as security to a creditor which belongs to the creditor if the debt is unpaid.

Common Stock: a share of ownership in the asset of a company which provides the right to receive dividends when declared by the company and to attend and vote at shareholder's meetings.

Compound Interest: a form of interest in which the interest to be paid annually in a period and is added to the principal at the end of that period in calculating the interest for the next period.

Conditional Sale: a sale which is made but not complete until certain stated conditions have been fulfilled.

Consignment: delivery of goods to someone for sale who takes ownership upon receipt but does not pay the supplier until the goods are sold.

Contract: an agreement, usually in writing, between two or more people or companies, to provide goods or services in return for payment.

Conveyance: the act or legally registering the change over of ownership from one person to another.

Cost - plus agreement: an agreement to provide goods or services at a price consisting of the total cost of providing it plus an agreed amount in addition.

Covenant: an agreement which is a legally binding contract.

Credit: a loan, in the form of a deferred payment on goods or in cash, in return for a promise to pay.

Creditor: one to whom money is owed.

Current Assets: an asset which is used as a means of production or as exchange for cash in a given accounting cycle (eg. accounts receivable, investing any).

Current Debt: a debt payable within a given accounting cycle.

Current Ratio: current debt as a proportion current assets; a measure of ability to meet fixed operating costs.

Debt Capital: capital invested in a company which does not belong to the company's owners.

Debt to Equity Ratio: the ratio of all long-term debt to owner's equity; a measure of overall profitability.

Default: failure to meet the terms of a contract.

Deficit: the amount by which money spent exceeds money earned.

Demand Loan: a loan which must be repaid whenever the lender demands repayment.

Depreciation: writing off of the cost of using a fixed asset.

Earning Power: the capacity of a capital asset to produce profit.

Earnings Statement: a financial statement showing money taken in, its sources, and how it was spent.

Equity: capital that makes up the owner's share of the business.

Fiscal Year: the financial accounting cycle of 12 months.

Fixed Assets: company possessions used for business which have a long life (eg. buildings, equipment).

Fixed Costs: unavailable and recurring costs of a business which remain the same regardless of production.

Fixed Interest: a form of interest which remains constant despite changes in the prime rate.

Foreclosure: to cause to be sold; to sell property when the owner fails to meet mortgage, tax or debt payments on it.

Frozen Assets: an asset which cannot be used or sold pending the outcome of a dispute over ownership or indebtedness.

Garnishee: to deduct money from a debtor's wages to pay a creditor.

Good Faith: an attitude of honesty and serious intention between parties.

Goodwill: the earning power of a business that lies in its reputation and experience.

Gross Income: income before deducting cost of production and overhead.

Gross Profit: total sales minus direct cost of sales.

Guarantor: one who promises to pay a creditor if a debtor fails to pay back a loan.

Income Statement: (same as earning statement). A statement showing money taken in, its sources, and how it was spent.

Incorporation: the establishment of a limited company through a government charter.

Indirect Cost: cost of doing business which cannot be identified with any specific activity; (overhead).

Insolvency: lack of ready cash to pay bills as they are due.

Inventory: the supply goods; either raw materials or finished goods owned by a company and its total value.

Invested Capital: total equity plus long-term debt, minus current liabilities.

Joint Venture: a partnership between two or more companies or persons in order to undertake one project only.

Labour Intensive: a business which requires large numbers of employees and relatively small amounts of capital funds.

Lease Financing: using operating funds to lease capital assets rather than buying them outright.

Leaseback: sale of a capital asset on the condition that the vendor may then lease it from the buyer.

Lease: a contract in which the owner of a property gives the exclusive use of it to someone for a certain time in exchange for a stated sum of money.

Letter of Credit: a bank document stating that the named person or company may be paid a certain amount for which the issuing bank will be responsible.

Letter of Intent: a written proposal indicating a serious interest in a business arrangement, but not a binding contract.

Letters Patent: the charter and documentation issued by the government upon registration of a new corporation.

Liabilities: all debts of any kind, including interest payments.

Lien: the claim of a creditor on a particular property owned by the debtor.

Limited Company: an incorporated business firm with limited liability.

Limited Liability: the limitation of the debt of shareholders in an incorporated company to the amount of their own investment. Shareholders cannot be sued for the debt of the company.

Line of Credit: a bank's stated willingness to lend up to a certain amount of money to a particular person.

Liquid Assets: cash on hand and anything which can readily be turned into cash.

Liquidation: turning assets into cash.

Liquidity: the ability of a firm to provide sufficient assets to handle current debt.

Long-term Financing: loans or credit on which the principal is repaid over a long period of time; usually over 10 years.

Mortgage: a loan secured by land or buildings. The lender assumes ownership, but not possession, until the loan is paid off.

Net Worth: the assets remaining after deduction of total liabilities.

Option: the exclusive right to buy a property within a certain time usually acquired by payment of an option fee.

Overhead: (same as fixed costs) unavailable and recurring costs of a business which remain the same regardless of production.

Partnership: a form of business organization in which the ownership, profits and liabilities are shared amongst two or more persons.

Preferred Creditor: a creditor who must be paid first, in the case of a death or bankruptcy or termination of a business.

Prime Rate: the interest charged by chartered banks to their best customers.

Private Company: (private corporation) - a limited company whose shares are not traded to the general public and can only be sold with the approval of the board of directors.

Preformance Statement: financial statement which projects future company performance based on current knowledge.

Profit: the money remaining from company revenues after all costs of making the revenue have been deducted.

Profit and Statement: a financial statement which shows the sources and amounts of revenue and the sources and amounts of expenditures.

Profit Margin (net margin): net profit as a percentage of gross sales.

Promissary Note: a written promise to pay a specified sum at a specified time and rate of interest, signed by the debtor.

Prospectus: a set of financial and information documents concerning the reorganization, legal and financial status, ownership and management of a business used for informing prospective investors about the company.

Public Company: a company whose shares are for sale to the general public on a stock exchange.

Ratio-analysis: the study of a business's financial position through analyizing various ratios of income, assets and liabilities.

Receivership: the control of a business and its assets by someone usually representing its creditors, until debts are paid or the company is wound-up.

Retained Earnings: the profits that are not spent or divided among the owners but are reinvested in the business.

Return on Investment: a company's profit expressed as a percentage of investment.

Secured Loan: a loan whose repayment is secured by collateral.

Sale Proprietorship: a business, the assets of which are the property of one person who is personally liable for all of its debts.

Solvency: the capacity to meet current debt.

PART FIVE

WORKSHEETS

WORKSHEETS

WORKSHEETS FOR PHASE ONE - ORGANIZATION

WORKSHEET NUMBER ONE	IDENTIFYING COMMUNITY POTENTIAL
WORKSHEET NUMBER TWO	BASIC TERMINOLOGY
WORKSHEET NUMBER THREE	CONDUCTING A BUSINESS MEETING
WORKSHEET NUMBER FOUR	GOALS IDENTIFICATION
WORKSHEET NUMBER FIVE	THE NEW BUSINESS DEVELOPMENT ORGANIZATION
WORKSHEET NUMBER SIX	MEDFO/SNEDCO HANDOUNT

WORKSHEETS FOR PHASE TWO - CONCEPTS

WORKSHEET NUMBER SEVEN	ECONOMIC DEVELOPMENT STRATEGY
WORKSHEET NUMBER EIGHT	THE ONE YEAR PLAN
WORKSHEET NUMBER NINE	SECTORS OF PRIME DEVELOPMENT POTENTIAL
WORKSHEET NUMBER TEN	THE NEW BUSINESS DEVELOPMENT ORGANIZATION - ALLOCATION OF RESPONSIBILITIES

WORKSHEETS FOR PHASE THREE - INVESTIGATION

WORKSHEET NUMBER ELEVEN	NORTH WEST TRIBAL COUNCIL'S COMIC - "STARTING A BUSINESS, pages 1, 2, 3, 4, 5, 8, 9 (green)
WORKSHEET NUMBER TWELVE	SASKATCHEWAN TOURISM AND SMALL BUSINESS - "STARTING A BUSINESS IN SASKATCHEWAN", Chapter 6, pages 43-47 and Chapter 1, pages 1-6.
WORKSHEET NUMBER THIRTEEN	PROJECT SUITABILITY: RESEARCH AND EVALUATION
WORKSHEET NUMBER FOURTEEN	COMMUNITY DECISION

WORKSHEETS FOR PHASE FOUR - IMPLEMENTATION

WORKSHEET NUMBER FIFTEEN	INCORPORATION KIT
WORKSHEET NUMBER SIXTEEN	NORTH COAST TRIBAL COUNCIL - "STARTING A BUSINESS", pages 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25
WORKSHEET NUMBER SEVENTEEN	SASKATCHEWAN TOURISM AND SMALL BUSINESS, "STARTING A BUSINESS IN SASKATCHEWAN", All of Chapter 9, Chapter 2, Chapter 4 and pages 79-85 of Chapter 10.
WORKSHEET NUMBER EIGHTEEN	MEDFO AND SNEDCO SERVICES FOR BUSINESS PLANNING

SUGGESTED CONTENT AND SEQUENCE OF WORKSHOPS AND WORKSHEETS

WORKSHOP ONE

Worksheet Number One - Identifies strengths and weaknesses and lists five key development issues.

Worksheet Number Four - Goals are identified for each key issue. A most important goal and secondary goal are listed.

WORKSHOP TWO

Worksheet Number Five - Setting up the New Business Development Organization. Outline its purpose, priorized key development issues and name most important and secondary goals for each issue.

Worksheet Number Nine - Prime Development Potential.

Worksheet Number Seven - Community Economic Development Strategy for New BDO.

Worksheet Number Eight - The One Year Plan for the New BDO.

Worksheet Number Ten - Allocation of Responsibilities.

WORKSHOP THREE

Worksheet Number Thirteen - Research and Evaluation - To Determine Project Suitability

Worksheet Number Fourteen - Community Decision

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER ONE

IDENTIFYING COMMUNITY POTENTIAL

Building on Strengths, Eliminating Weaknesses

It must be recognized that your community will move forward when you have decided upon a plan that points out the strong points to be built upon and the weak points that have to be overcome.

<u>Strengths (S) or Weaknesses (W)</u>

S		Human Resources leadership expertise education sobriety __________	W	

S		Physical Resources transportation forest products __________ __________ __________	W	

S		Economic Resources buildings __________ __________ __________ __________	W	

S		Political Resources __________ __________ __________ __________ __________	W	

In the past year, what are the two best things that have happened in this community.

(1) ____

____

What, from the list of strengths (above), helped it to happen? ____________

(2) ____

____

What, from the list of strengths (above), helped it happen? ____________

In the past year, what is one thing that happened in this community that you did not like?

____

____

What, from the list of weaknesses (above) caused it to happen? ____________

KEY DEVELOPMENT ISSUES

Write the five strengths which you would like to seek built on weaknesses you would like to see eliminated.

1. ______________________
2. ______________________
3. ______________________
4. ______________________
5. ______________________

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER TWO

BASIC TERMINOLOGY

Assets:	anything whose value can be expressed in money which can be owned, and therefore, sold.
Bank Rate:	the rate of interest charged by the Bank of Canada to chartered banks.
Bankruptcy:	the financial and legal position of a person or a corporation with insufficient assets to cover debts.
Board of Directors:	the senior decision - making body of a business, which supervises management and makes policy.
Budget:	a plan for annual spending which expresses the company's policies and programs in monetary terms.
Capital:	funds invested to make the earning of money possible.
Cash Flow:	the income and outflow of funds available for operating costs.
Collateral:	an asset pledged as security to a creditor which belongs to the creditor if the debt is unpaid.
Community:	____________________ ____________________
Contract:	an agreement, usually in writing, between two or more people or companies, to provide goods or services in return for payment.
Cost - plus agreement:	an agreement to provide goods or services at a price consisting of the total cost of providing it plus an agreed amount in addition.
Credit:	a loan, in the form of a deferred payment on goods or in cash, in return for a promise to pay.
Deficit:	the amount by which money spent exceeds money earned.
Economy:	____________________ ____________________

Fiscal Year: the financial accounting cycle of 12 months.

Incorporation: the establishment of a limited company through a government charter.

Inventory: the supply goods; either raw materials or finished goods owned by a company and its total value.

Mortgage: a loan secured by land or buildings. The lender assumes ownership, but not possession, until the loan is paid off.

Profit: the money remaining from company revenues after all costs of making the revenue have been deducted.

Resources (social, physical, economic, political):

____

____

Solvency: the capacity to meet current debt.

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER THREE

CONDUCTING A BUSINESS MEETING

1. Give Proper Notice - be sure that those who should be at the meeting know where and when it is going to take place.

2. Have an Agenda - meetings are held to make decisions on specific issues - be sure that everyone knows what those issues are and that they are all discussed.

3. Stick to the Agenda - the Chairperson should ensure thatthe agenda items - and only the agenda items - are discussed.

4. Have a Good Chairperson - the Chairperson must see that everyone who wishes to speak has a chance to do so.

5. Follow Parliamentary Procedure
   - introduce the agenda item
   - have a mover and a seconder for every item
   - individuals should only speak once on any item
   - vote on every motion

6. Make Decisions - the purpose of a meeting is to make decisions; don't leave agenda items until a decision is made.

7. Assign Responsibilities - if something is to be done, be sure that everyone knows who is to do it and by when it is to be done.

8. Use Committees - if any agenda item is too difficult to be decided at the meeting, appoint a committee to get it done. Every committee should:
   - be set up for a specific purpose;
   - have the Chairperson (at least) appointed at the general meeting;
   - have a definite date to report its decision;
   - have a definite contact person from the general meeting; and
   - be dissolved when its specific purpose is finished.

9. Keep Written Minutes - minutes should not only record what was decided at the meeting but also who is responsible for what.

10. Respect the Decisions - once a decision is voted on and approved, it should be accepted by everyone. Saying, "I did not vote for it," only weakens the ability of the organization to get on with the job.

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER FOUR

GOALS IDENTIFICATION

The goals that are identified by you and by your community should be related to strengths and weaknesses (from Worksheet Number One). A point of weakness may be overcome by using community strengths if your goal considers both.

A. 1. The best thing (from Worksheet One):

____

How to continue it:

____

2. The second best:

____

How to continue it:

____

B. In the next twelve months, name one achievement that would have the greatest impact on the following.

1. Education: ______________________

2. Social Development: ______________________

3. Job Creation: ______________________

4. Economic Development: ______________________

C. Name ONE goal that you would like to see accomplished by one year from today. ______________________

____

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER FIVE

SETTING UP THE NEW BUSINESS DEVELOPMENT ORGANIZATION

STEP ONE	Describe your role, responsibility and authority in detail.
STEP TWO	Select leaders for specified positions. e.g. chairperson secretary treasurer public relations resource persons
STEP THREE	Set meeting dates, times, places.
STEP FOUR	Incorporate as a non-profit corporation.
STEP FIVE	State the purpose of the NBDO.
STEP SIX	List the development issues for your community.
STEP SEVEN	State your one-year goal for each issue.
STEP EIGHT	State the strategy to be used to achieve each goal.

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER SIX

MEDFO/SNEDCO HANDOUT

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER SEVEN

ECONOMIC DEVELOPMENT STRATEGY

In community economic development, the most important non-economic considerateration are: (number in order, according to your views)

_____ maintaining tradition;

_____ education of the community

_____ concern for youth

_____ training;

_____ providing needed services (e.g. health);

_____ the social well-being of the community;

_____ recreation; and

_____ other (specify) ________

In community economic development, the most important economic considerations are: (number, in order, according to your views)

_____ job creation;

_____ creation of wealth;

_____ new businesses;

_____ entrepreneurship;

_____ independence; and

_____ other (specify) ____________

(DO WORKSHEET NUMBER NINE)
Keep in mind your answers above. What would be required to get a development project underway?

The most feasible (from Worksheet Number Nine): ________________________

- in political terms - ____
- in physical terms - ____
- in social terms - ____
- in economic terms - ____

How could each of these requirements be fulfilled?

Political Requirements ____

Physical Requirements ____

Social Requirements ____

Economic Requirements ____

The second most feasible (from Worksheet Number Nine): ____________________

- in political terms - ____________________
- in physical terms - ____________________
- in social terms - ____________________
- in economic terms - ____________________

How could each of these requirements be fulfilled?

Political Requirements ____________________

Physical Requirements ____________________

Social Requirements ____________________

Economic Requirements ____________________

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER EIGHT

THE ONE YEAR PLAN

New development: ______________________________

Employment to be created: ______________________________

Development To Be Achieved

What is Required?	How Fulfilled?	Done By What Date?
Politically o		
o		
Physically o		
o		
Socially o		
o		
Economically o		
o		

Worksheet Number Ten will deal with these following questions:

Who will do what?

When will he or she do it?

Alternative plans if obstacles arise.

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER NINE

SECTORS OF PRIME DEVELOPMENT POTENTIAL

RESOURCE DEVELOPMENT	TOURISM	BUSINESS

MANUFACTURING	SERVICE	JOB CREATION

The most feasible of these is:

____.

The second most feasible is:

____.

Worksheet Number Ten will deal with the following questions:

Who will do what?

When will he or she do it?

Alternative plans of obstacles arise.

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER TEN

THE NEW BUSINESS DEVELOPMENT ORGANIZATION - ALLOCATION OF RESPONSIBILITIES

Members of the New Business Development Organization

Chairperson: ______________________________

Secretary: ______________________________

Treasurer: ______________________________

Expertise from: ______________________________

Community support from: ______________________________

Responsibility	To Be Done By	Date Due	Contingency Plan(s)
Identifying area of development			
Getting community support			
Legal aspects			
Government regulations			
Financial sources			
Incorporation			
Correspondence			
Intergroup Coordination			
Business Plans			

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER THIRTEEN

PROJECT SUITABILITY: RESEARCH AND EVALUATION

The research to be conducted is primarily intended to determine suitability. The purpose of this worksheet is NOT to demonstrate how to conduct a feasibility study, rather it is to list points for consideration prior to community decision making so that decisions can be made upon the evidence of solid fact.

Typical considerations are:

Name of business development;
Market size required;
Labor market expertise required;
Management requirements;
Funding needed;
Funding source;
Employees required;
Transportation;
Communication;
Marketing needed;
Is local expertise sufficient;
If no, what can be done;
Equipment required; and
Resource materials required?

RECOMMENDATIONS (to be presented to a meeting of the community as a whole):

1. ____________________

2. ____________________

3. ____________________

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER FOURTEEN

COMMUNITY DECISION

The New Business Development Organization (NBDO) has conducted preliminary research into the viability of several areas of economic development potential. Based upon its research, the NBDO has specified five areas for development over the next year.

It is now the role of the community to decide which of these five will be the best for the community.

The NBDO's recommendations are:

1. ____
2. ____
3. ____
4. ____
5. ____

For each of the recommendations, the following issues should be considered.

A. Will it create new jobs? If yes - 3, if no - 0.

B. Is it essential? If yes - 3; if no - 0.

C. Will you support it? If yes - 3, if no - 0.

D. Are there enough experts in your community to make it succeed? If yes - 3, if no - 0.

E. Can funding be found? If yes - 3, if no - 0.

F. Will it benefit your community? If yes - 3, if no - 0.

G. Will it benefit everyone or only a few people? If everyone - 3, if no - 0.

	A	B	C	D	E	F	G	TOTAL
1								
2								
3								
4								
5								

Based upon the chart, my first choice would be: ______________________

____

My second choice would be: ____

Do you think that your number one choice has a good chance to succeed?

____

Please return this completed form to a member of the New Business Development Organization before the end of the day.

COMMUNITY ECONOMIC DEVELOPMENT

WORKSHEET NUMBER EIGHTEEN

MEDFO AND SNEDCO SERVICES FOR BUSINESS PLANNING